

of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, developing markets. Investment may also be made in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, developed markets that have significant business operations in these developing markets.

The **Euro Bond Fund** seeks to maximise total return expressed in euro. The Fund invests at least 80% of its total net assets in investment grade fixed income transferable securities. At least 70% of total net assets will be invested in fixed income transferable securities denominated in euro. Currency exposure is flexibly managed.

The **Euro Corporate Bond Fund** seeks to maximise total return expressed in euro. The Fund invests at least 70% of its total net assets in investment grade corporate fixed income transferable securities denominated in euro. Currency exposure is flexibly managed.

The **Euro Reserve Fund** aims to balance growth with security of capital and high liquidity expressed in euro. The Fund invests at least 90% of its total net assets in investment grade fixed income transferable securities denominated in euro and euro cash. The Fund is managed so that the average remaining maturity of the Fund's assets will at no time exceed 12 months.

The **Euro Short Duration Bond Fund** seeks to maximise total return. The Fund invests at least 80% of its total net assets in investment grade fixed income transferable securities. At least 70% of total net assets will be invested in fixed income transferable securities denominated in euro with a duration of less than five years. The average duration is not more than three years. Currency exposure is flexibly managed.

The **Euro-Markets Fund** seeks to maximise total return expressed in euro. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in those EU Member States participating in EMU. Other exposure may include, without limitation, investments in those EU Member States that, in the opinion of the Investment Adviser, are likely to join EMU in the foreseeable future and companies based elsewhere that exercise the predominant part of their economic activity in EMU-participating countries.

The **European Focus Fund** seeks to maximise total return expressed in euro. The Fund invests at least 70% of its total net assets in a concentrated portfolio of equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, Europe.

The **European Fund** seeks to maximise total return expressed in euro. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, Europe.

The **European Growth Fund** seeks to maximise total return expressed in euro. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activities in, Europe. The Fund places particular emphasis on companies that, in the opinion of the Investment Adviser, exhibit growth

investment characteristics, such as sustainable organic top line growth and high or improving returns on capital.

The **European Opportunities Fund** seeks to maximise total return expressed in euro. The Fund invests at least 70% of its total net assets in the equity securities of smaller capitalisation companies domiciled in, or exercising the predominant part of their economic activity in, Europe. Smaller capitalisation companies are those whose market capitalisation is similar to the market capitalisation of companies in the Citigroup EMI European Index at the time of the Fund's investment.

The **European Real Estate Securities Fund** seeks to maximise total return. The Fund invests at least 70% of its total net assets in the equity and debt securities of property companies domiciled in, or exercising the predominant part of their economic activity in, Europe.

The **European Value Fund** seeks to maximise total return expressed in euro. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, Europe. The Fund places particular emphasis on companies that are, in the opinion of the Investment Adviser, undervalued and therefore represent intrinsic investment value.

The **Fixed Income Global Opportunities Fund** seeks to achieve an absolute return. The Fund invests at least 70% of its total net assets in fixed income transferable securities denominated in various currencies issued by governments, agencies and companies worldwide. The full spectrum of available securities, including non-investment grade, may be utilised. Currency exposure is flexibly managed.

The **Global Allocation Fund** seeks to maximise total return expressed in US dollars. The Fund invests globally in equity, debt and short term securities, of both corporate and governmental issuers, with no prescribed limits. In normal market conditions the Fund will invest at least 70% of its total net assets in the securities of corporate and governmental issuers. The Fund generally will seek to invest in securities that are, in the opinion of the Investment Adviser, undervalued. The Fund may also invest in the equity securities of small and emerging growth companies. The Fund may also invest a portion of its debt portfolio in high yield fixed income transferable securities. Currency exposure is flexibly managed.

The **Global Bond Fund (Euro)** seeks to maximise total return expressed in euro. The Fund invests globally at least 90% of its total net assets in fixed income transferable securities and at least 70% of its total net assets in investment grade fixed income transferable securities that are issued or explicitly guaranteed by a national government. The Fund may invest without limitation in fixed income transferable securities denominated in currencies other than the reference currency (euro), although most currency exposure is normally hedged back into euro.

The **Global Bond Fund (US Dollar)** seeks to maximise total return expressed in US dollars. The Fund invests globally at least 90% of its total net assets in fixed income transferable securities, and at least 70% of its total net assets in investment grade fixed income transferable securities that are issued or

explicitly guaranteed by a national government. The Fund may invest without limitation in fixed income transferable securities denominated in currencies other than the reference currency (US dollars), although most currency exposure is normally hedged back into US dollars.

The **Global Capital Securities Absolute Return Fund** seeks to achieve an absolute return in euro. The Fund invests at least 90% of its total net assets in investment grade fixed income transferable securities. At least 70% of the Fund's total net assets are invested in Capital Securities that are issued globally. The average duration of the Fund is not normally more than 2 years. The Fund may invest without limitation in fixed income transferable securities denominated in currencies other than the reference currency (euro). Currency exposure is flexibly managed, although at least 90% of total net assets will be exposed to euro.

The **Global Dynamic Equity Fund** seeks to maximise total return expressed in US dollars. The Fund invests globally, with no prescribed country or regional limits, at least 70% of its total net assets in equity securities. The Fund will generally seek to invest in securities that are, in the opinion of the Investment Adviser, undervalued. The Fund may also invest in the equity securities of small and emerging growth companies. Currency exposure is flexibly managed.

The **Global Enhanced Equity Yield Fund** seeks to generate a high level of income. The Fund invests globally, with no prescribed country or regional limits, at least 70% of its total net assets in equity securities. The Fund makes use of derivatives in a way that is fundamental to its investment objective in order to generate additional income.

The **Global Equity Fund** seeks to maximise total return expressed in US dollars. The Fund invests globally at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, developed markets.

The **Global Focus Fund** seeks to maximise total return expressed in US dollars. The Fund invests globally in a concentrated portfolio of equity securities with at least 70% of its total net assets invested in companies domiciled in, or exercising the predominant part of their economic activity in, developed markets.

The **Global Fundamental Value Fund** seeks to maximise total return expressed in US dollars. The Fund invests globally at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, developed markets. The Fund places particular emphasis on companies that are, in the opinion of the Investment Adviser, undervalued and therefore represent intrinsic investment value.

The **Global Growth Fund** seeks to maximise total return expressed in US dollars. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity, in developed markets. The Fund places particular emphasis on companies that, in the opinion of the Investment Adviser, exhibit growth investment characteristics, such as sustainable organic top line growth and high or improving returns on capital.

The **Global High Yield Bond Fund (Euro)** seeks to maximise total return expressed in euro, a significant portion of which may be derived from income. The Fund invests globally at least 90% of its total net assets in fixed income transferable securities, and at least 70% of its total net assets in high yield fixed income transferable securities. The Fund may invest in fixed income transferable securities that are the subject of bankruptcy proceedings or otherwise in payment default or in significant risk of being in payment default at the time of purchase. The Fund may invest without limitation in fixed income transferable securities denominated in currencies other than the reference currency (euro), although any currency exposure is normally hedged back into euro.

The **Global Opportunities Fund** seeks to maximise total return expressed in US dollars. The Fund invests globally at least 70% of its total net assets in the equity securities of smaller capitalisation companies. Smaller capitalisation companies are those whose market capitalisation is similar to the market capitalisation of companies in the Citigroup EMI Global Index at the time of the Fund's investment. The Fund's geographic portfolio weighting is closely in line with that of its benchmark index.

The **Global Real Estate Securities Focus Fund** seeks to maximise total return. The Fund invests at least 70% of its total net assets in a concentrated portfolio of equity and debt securities of property companies worldwide.

The **Global Real Estate Securities Fund** seeks to maximise total return. The Fund invests at least 70% of its total net assets in equity and debt securities of property companies worldwide.

The **Global SmallCap Fund** seeks to maximise total return expressed in US dollars. The Fund invests globally at least 70% of its total net assets in the equity securities of smaller capitalisation companies. Smaller capitalisation companies are those whose market capitalisation is similar to the market capitalisation of companies in the MSCI World Small Cap Index at the time of the Fund's investment. Although it is likely that most of the Fund's investments will be in companies located in the developed markets of North America, Europe and the Far East, the Fund may also invest in the developing markets of the world. Currency exposure is flexibly managed.

The **Greater China Fund** seeks to maximise total return expressed in US dollars. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, Greater China.

The **India Fund** seeks to maximise total return expressed in US dollars. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, India. (In normal market conditions the Fund will invest exclusively via the Subsidiary).

The **Japan Focus Fund** seeks to maximise total return. The Fund invests at least 70% of its total net assets in a concentrated portfolio of equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, Japan.

The **Japan Fund** seeks to maximise total return expressed in yen. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in or exercising the predominant part of their economic activity in, Japan.

The **Japan Opportunities Fund** seeks to maximise total return expressed in yen. The Fund invests at least 70% of its total net assets in the equity securities of smaller capitalisation companies domiciled in, or exercising the predominant part of their economic activity in, Japan. Smaller capitalisation companies are those whose market capitalisation is similar to the market capitalisation of companies in the Citigroup EMI Japan Index at the time of the Fund's investment.

The **Japan Value Fund** seeks to maximise total return expressed in yen. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, Japan. The Fund places particular emphasis on companies that are, in the opinion of the Investment Adviser, undervalued and therefore represent intrinsic investment value.

The **Latin American Fund** seeks to maximise total return expressed in US dollars. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, Latin America. Latin America includes Mexico, Central America, South America and the Spanish speaking islands of the Caribbean, including Puerto Rico.

The **Local Emerging Markets Short Duration Bond Fund** seeks to maximise total return. The Fund invests at least 70% of its total net assets in local currency-denominated fixed income transferable securities with a duration of less than three years issued by governments, agencies and companies domiciled in, or exercising the predominant part of their economic activity in, developing markets. The average duration is not more than two years. The full spectrum of available securities, including non-investment grade, may be utilised. Currency exposure is flexibly managed.

The **New Energy Fund** seeks to maximise total return expressed in US dollars. The Fund invests globally at least 70% of its total net assets in the equity securities of companies whose predominant economic activity is in the alternative energy and energy technology sectors. Emphasis may be given to renewable energy, automotive and on-site power generation, energy storage and enabling energy technologies.

The **North American Real Estate Securities Fund** seeks to maximise total return. The Fund invests at least 70% of its total net assets in the equity and debt securities of property companies domiciled in, or exercising the predominant part of their economic activity in, North America.

The **Pacific Equity Fund** seeks to maximise total return expressed in US dollars. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, Pacific Basin and Australasian countries. Currency exposure is flexibly managed.

The **Sterling Reserve Fund** aims to balance growth with security of capital and high liquidity expressed in sterling. The Fund invests at least 90% of its total net assets in investment grade fixed income transferable securities denominated in sterling and sterling cash. The Fund is managed so that the average remaining maturity of the Fund's assets will at no time exceed 12 months.

The **Strategic Allocation Fund (Euro)** follows an asset allocation policy that seeks to maximise total return expressed in euro. The Fund invests globally in equities and fixed income transferable securities (which may include some high yield fixed income transferable securities). The Fund may invest without limitation in securities denominated in currencies other than the reference currency (euro). The currency exposure of the Fund is flexibly managed.

The **Strategic Allocation Fund (US Dollar)** follows an asset allocation policy that seeks to maximise total return expressed in US dollars. The Fund invests globally in equities and fixed income transferable securities (which may include some high yield fixed income transferable securities). The Fund may invest without limitation in securities denominated in currencies other than the reference currency (US dollars). The currency exposure of the Fund is flexibly managed.

The **Thailand Fund** seeks to maximise total return expressed in US dollars. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, Thailand.

The **UK Focus Fund** seeks to maximise total return expressed in sterling. The Fund invests in a concentrated portfolio of equity securities with at least 70% of its total net assets invested in companies domiciled in, or exercising the predominant part of their economic activity in the UK.

The **United Kingdom Fund** seeks to maximise total return expressed in sterling. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, the UK.

The **US Basic Value Fund** seeks to maximise total return expressed in US dollars. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, the US. The Fund places particular emphasis on companies that are, in the opinion of the Investment Adviser, undervalued and therefore represent basic investment value.

The **US Dollar Core Bond Fund** seeks to maximise total return expressed in US dollars, a significant portion of which may be derived from income. The Fund invests at least 90% of its total net assets in investment grade fixed income transferable securities. At least 70% of the Fund's total net assets are invested in fixed income transferable securities denominated in US dollars. Currency exposure is flexibly managed.

The **US Dollar High Yield Bond Fund** seeks to maximise total return expressed in US dollars. The Fund invests at least 90% of its total net assets in fixed income transferable securities. At least 70% of the Fund's total net assets are invested in high

yield fixed income transferable securities denominated in US dollars. The Fund may invest in fixed income transferable securities that are the subject of bankruptcy proceedings or otherwise in payment default or in significant risk of being in payment default at the time of purchase. Most currency exposure is normally hedged back into US dollars.

The **US Dollar Low Duration Bond Fund** seeks to maximise total return expressed in US dollars. The Fund invests at least 90% of its total net assets in investment grade fixed income transferable securities. At least 70% of the Fund's total net assets are invested in fixed income transferable securities denominated in US dollars with a duration of less than five years. The average duration is not normally more than three years. Currency exposure is flexibly managed.

The **US Dollar Reserve Fund** aims to balance growth with security of capital and high liquidity expressed in US dollars. The Fund invests at least 90% of its total net assets in investment grade fixed income transferable securities denominated in US dollars and US dollar cash. The Fund is managed so that the average remaining maturity of the Fund's assets will at no time exceed 12 months.

The **US Flexible Equity Fund** seeks to maximise total return expressed in US dollars. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, the US. The Fund normally invests in securities that, in the opinion of the Investment Adviser, exhibit either growth or value investment characteristics, placing an emphasis as the market outlook warrants.

The **US Focused Value Fund** seeks to maximise total return expressed in US dollars. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, the US. The Fund places particular emphasis on companies that are, in the opinion of the Investment Adviser, undervalued relative to its assessment of their current or prospective condition or relative to prevailing market ratios.

The **US Government Mortgage Fund** seeks a high level of income expressed in US dollars. The Fund invests at least 90% of its total net assets in fixed income transferable securities. At least 80% of the Fund's total net assets are invested in fixed income transferable securities issued or guaranteed by the United States Government, its agencies or instrumentalities, including Government National Mortgage Association ("GNMA") mortgage-backed certificates and other US Government securities representing ownership interests in mortgage pools, such as mortgage-backed securities issued by Fannie Mae and Freddie Mac. All securities in which the Fund invests are US dollar-denominated securities.

The **US Growth Fund** seeks to maximise total return expressed in US dollars. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, the US. The Fund places particular emphasis on companies that have exhibited above-average growth rates in earnings.

The **US Opportunities Fund** seeks to maximise total return expressed in US dollars. The Fund invests at least 70% of its total net assets in the equity securities of smaller capitalisation companies domiciled in, or exercising the predominant part of their economic activity in, the US. Smaller capitalisation companies are those whose market capitalisation is similar to the market capitalisation of companies in the Russell 2000 Growth Index at the time of the Fund's investment.

The **US SmallCap Value Fund** seeks to maximise total return expressed in US dollars. The Fund invests at least 70% of its total net assets in the equity securities of smaller capitalisation companies domiciled in, or exercising the predominant part of their economic activity in, the US. Smaller capitalisation companies are those whose market capitalisation is similar to the market capitalisation of companies in the Russell 2000 or the S&P SmallCap 600 at the time of the Fund's initial investment. The Fund places particular emphasis on companies that are, in the opinion of the Investment Adviser, undervalued.

The **World Bond Fund** seeks to maximise total return expressed in US dollars. The Fund invests at least 90% of its total net assets in fixed income transferable securities, and at least 70% of its total net assets in investment grade fixed income transferable securities. Currency exposure is flexibly managed.

The **World Energy Fund** seeks to maximise total return expressed in US dollars. The Fund invests globally at least 70% of its total net assets in the equity securities of companies whose predominant economic activity is in the exploration, development, production and distribution of energy. Additionally, the Fund may invest in companies seeking to develop and exploit new energy technologies.

The **World Financials Fund** seeks to maximise total return expressed in US dollars. The Fund invests globally at least 70% of its total net assets in the equity securities of companies whose predominant economic activity is financial services.

The **World Gold Fund** seeks to maximise total return expressed in US dollars. The Fund invests globally at least 70% of its total net assets in the equity securities of companies whose predominant economic activity is gold-mining. It may also invest in the equity securities of companies whose predominant economic activity is other precious metal or mineral and base metal or mineral mining. The Fund does not hold physical gold or metal.

The **World Healthscience Fund** seeks to maximise total return expressed in US dollars. The Fund invests globally at least 70% of its total net assets in the equity securities of companies whose predominant economic activity is in healthcare, pharmaceuticals, medical technology and supplies and the development of biotechnology.

The **World Income Fund** seeks to maximise total return expressed in US dollars, a significant portion of which may be derived from income. The Fund invests globally at least 90% of its total net assets in fixed income transferable securities denominated in a variety of currencies. In normal market conditions, the Fund will invest in securities denominated in at least three different currencies with no set portion of the Fund's investments required to be denominated in any single currency. The Fund's average maturity will be less than 15 years. The

Fund may invest in fixed-income securities that are below investment grade and in the securities of emerging market issuers. Currency exposure is flexibly managed.

The **World Mining Fund** seeks to maximise total return expressed in US dollars. The Fund invests globally at least 70% of its total net assets in the equity securities of mining and metals companies whose predominant economic activity is the production of base metals and industrial minerals such as iron ore and coal. The Fund may also hold the equity securities of companies whose predominant economic activity is in gold or other precious metal or mineral mining. The Fund does not hold physical gold or metal.

The **World Technology Fund** seeks to maximise total return expressed in US dollars. The Fund invests globally at least 70% of its total net assets in the equity securities of companies whose predominant economic activity is in the technology sector.

New Funds or Share Classes

The Directors may create new Funds or issue further Classes of Shares. This Prospectus will be supplemented to refer to these new Funds or Classes.

Classes and Form of Shares

Shares in the Funds are divided into Class A, Class B, Class C, Class D, Class E, Class J, Class Q and Class X Shares, representing eight different charging structures. Shares are further divided into Distributing and Non-Distributing Share classes. Non-Distributing Shares do not pay dividends, whereas Distributing Shares pay dividends. See 'Dividends' on page 23 for further information.

Class A Shares

Class A Shares are available to all investors as Distributing and Non-Distributing Shares and are issued in registered form ("Registered Shares") and global certificate form ("Global Certificates"). Unless otherwise requested, all Class A Shares will be issued as Registered Shares.

Class B Shares

Class B Shares are available as Distributing and Non-Distributing Shares to clients of Merrill Lynch (which provides nominee facilities to investors) and to other investors at the discretion of the Investment Manager. Class B Shares are available as Registered Shares only.

Class C Shares

Class C Shares are available as Distributing and Non-Distributing Shares to clients of Merrill Lynch (which provides nominee facilities to investors) and to other investors at the discretion of the Investment Manager. Class C Shares are available as Registered Shares only.

Class D Shares

Class D Shares are available as Distributing and Non-Distributing Shares and are issued as Registered Shares and Global Certificates. Unless otherwise requested, all Class D Shares will be issued as Registered Shares. They are only available at the Investment Manager's discretion.

Class E Shares

Class E Shares are available in certain countries, subject to the relevant regulatory approval, through specific distributors selected by the Investment Manager (details of which may be obtained from the Transfer Agent or the Investor Service Centre). They are available as Non-Distributing and Distributing Shares, Registered Shares and Global Certificates for all Funds. Unless otherwise requested, all Class E Shares will be issued as Registered Shares.

Class J Shares

Class J Shares are initially only offered to fund of funds in Japan and will not be publicly offered in Japan. However, they may be offered to other funds of funds in the future, at the discretion of the Investment Manager. Class J Shares are available as Distributing and Non-Distributing Shares. No fees are payable in respect of Class J Shares (instead a fee will be paid to the Investment Manager or affiliates under an agreement). Class J shareholders bear all expenses along with other shareholders pro rata to the Funds' respective Net Asset Values. Unless otherwise requested, all Class J Shares will be issued as Registered Shares.

Class Q Shares

Class Q Shares are available as Non-Distributing and Distributing Shares and are a grandfathered Share Class available to investors previously holding shares in other funds sponsored by entities within either the ML Group or the BlackRock Group. Within the Company they are only available for subscription or conversion into at the discretion of the Directors. Class Q shareholders who wish to convert into another of the Company's Funds may do so free of charge and will receive Class B Shares. Further, any CDSC history will be carried over into the new Fund. Merrill Lynch at its sole discretion may refuse any request to transfer record of ownership of Class Q Shares held by or through Merrill Lynch. Unless otherwise requested, all Class Q Shares will be issued as Registered Shares.

Class X Shares

Class X Shares are available as Non-Distributing Shares and Distributing Shares, and are issued as Registered Shares only at the discretion of the Investment Adviser and its affiliates. No fees are payable in respect of Class X Shares (instead a fee will be paid to the Investment Adviser or affiliates under an agreement). Class X shareholders bear all expenses along with all other shareholders pro rata to the Funds' respective Net Asset Values.

Class X Shares are only available to institutional investors within the meaning of Article 129 of the law of 20 December 2002 on undertakings for collective investment, as amended. Investors must demonstrate that they qualify as institutional investors by providing the Company and its Transfer Agent or the Investor Service Centre with sufficient evidence.

General

Investors purchasing any Class of Shares through a distributor will be subject to the distributor's normal account opening requirements. Title to Registered Shares is evidenced by entries in the Company's Share register. Shareholders will receive confirmation notes of their transactions. Registered Share certificates are not issued.

Global Certificates are available under a registered common global certificate arrangement operated with Clearstream International and Euroclear. Global Certificates are registered in the Company's share register in the name of Clearstream International and Euroclear's common depository. Physical share certificates are not issued in respect of Global Certificates. Global Certificates may be exchanged for Registered Shares under arrangements between Clearstream International, Euroclear and the Central Paying Agent.

Bearer Shares (which were available prior to 1 February 2002) may be exchanged for Class A Registered Shares or Global Certificates without charge and bearer Share certificates and coupons (if any) must be surrendered upon a request for redemption or conversion.

Information on Global Certificates and their dealing procedures is available on request from the Transfer Agent or the Investor Service Centre.

Dealing in Fund Shares

Daily Dealing

Dealings can normally be effected daily. Orders for subscription, redemption and conversion of Shares should be received by the Transfer Agent or the Investor Service Centre before 12 noon Luxembourg time on any Dealing Day (the "Cut-Off Point") and the prices applied will be those calculated in the afternoon of that day. Any dealing orders received by the Transfer Agent or the Investor Service Centre after the Cut-Off Point will be dealt with on the next Dealing Day. At the discretion of the Company, dealing orders transmitted by a correspondent bank before the Cut-Off Point but only received by the Transfer Agent or the Investor Service Centre after the Cut-Off Point may be treated as if they had been received before the Cut-Off Point. At the discretion of the Company, prices applied to orders backed by uncleared funds may be those calculated in the afternoon of the day following receipt of cleared funds. Further details and exceptions are described under the sections entitled "Application for Shares", "Redemption of Shares" and "Conversion of Shares" below. Once given, applications to subscribe and instructions to redeem or convert are irrevocable except in the case of suspension or deferral (see paragraphs 28 to 31 of Appendix B) and cancellation requests received before 12 noon Luxembourg time. Dealing orders placed by telephone will be recorded. Redemption and conversion orders for bearer Shares (where available) must be in writing.

Orders placed through distributors rather than directly with the Transfer Agent or the Investor Service Centre may be subject to different procedures which may delay receipt by the Transfer Agent or the Investor Service Centre. Investors should consult their distributor before placing orders in any Fund.

Where shareholders subscribe for or redeem Shares having a specific value, the number of Shares dealt in as a result of dividing the specific value by the applicable Net Asset Value per Share is rounded to two decimal places. Such rounding may result in a benefit to the Fund or the shareholder.

Shareholders should note that the board of Directors may determine to restrict the purchase of Shares when it is in the interests of the Company and/or its shareholders to do so, including when the Company or any Fund reaches a size that

could impact the ability to find suitable investments for the Company and Fund.

General

Confirmation notes, cheques and other documents sent by post will be at the risk of the investor.

Prices of Shares

All prices are determined after the deadline for receipt of dealing orders 12 noon Luxembourg time on the Dealing Day concerned. Prices are quoted in the Dealing Currency(ies) of the relevant Fund. In the case of those Funds for which two or more Dealing Currencies are available, if an investor does not specify his choice of Dealing Currency at the time of dealing then the Base Currency of the relevant Fund will be used.

The previous Dealing Day's prices for Shares may be obtained during business hours from the Investor Service Centre. They will also be published in such countries as required under applicable law and at the discretion of the Directors in a number of newspapers worldwide. The Company cannot accept any responsibility for error or delay in the publication or nonpublication of prices. Historic dealing prices for all Shares are available from the Fund Accountant or the Investor Service Centre.

Class A, Class D, Class E, Class J and Class X Shares

Class A, Class D, Class E, Class J and Class X Shares may normally be acquired or redeemed at their Net Asset Value. Prices may include or have added to them, as appropriate: (i) an initial charge; (ii) a distribution fee; and (iii) in limited circumstances, adjustments to reflect fiscal charges and dealing costs (see paragraph 16(c) of Appendix B).

Class B, Class C and Class Q Shares

Class B, Class C and Class Q Shares may normally be acquired or redeemed at their respective Net Asset Values. No charge is added to or included in the price payable on acquisition or redemption but, with the exception of Reserve Fund Shares, a CDSC, where applicable, will be deducted from the proceeds of redemption as described under "Fees, Charges and Expenses" on page 26 and in paragraph 17 of Appendix B. Prices may include or have added to them, as appropriate, (i) a distribution fee; and (ii), in limited circumstances, adjustments to reflect fiscal charges and dealing costs (see paragraph 16(c) of Appendix B).

The specific levels of fees and charges that apply to each Class of Share are explained in more detail under "Fees, Charges and Expenses" on page 26 and in Appendices B, C and E.

Application for Shares

Applications

Merrill Lynch clients may enter their application orders through their Merrill Lynch Financial Advisers. In all other cases, initial applications for Shares must be made to the Transfer Agent or the Investor Service Centre on the application form. For initial applications for Shares by fax or telephone, applicants will be sent an application form that must be completed and returned by mail to the Transfer Agent or the Investor Service Centre to confirm the application. Failure to provide the original application form will delay the completion of the transaction and consequently the ability to effect subsequent dealings in the Shares concerned. Subsequent applications for Shares may be made in writing or by fax or telephone. Investors who do not

specify a Share Class in the application will be deemed to have requested Class A Non-Distributing Shares.

Applications for Registered Shares should be made for Shares having a specified value and fractions of Shares will be issued where appropriate. Global Certificates will be issued in whole Shares only.

The right is reserved to reject any application for Shares or to accept any application in part only. In addition, issues of Shares of any or all Funds may be suspended, and a subscription constituting over 5% of a Fund's value may not be accepted, as described in paragraphs 28 and 32 of Appendix B, respectively.

The investor acknowledges that personal information and information relating to its investments supplied to a member of the BlackRock Group (and also for Merrill Lynch clients, to a member of the ML Group (as appropriate) may be processed by or transferred to or disclosed to any company in the BlackRock and/or ML Group (as appropriate) world-wide in order to administer the services for which the investor has applied or may apply in the future.

This may involve the transfer of data by electronic media including the internet. The investor's information will be held in confidence and not shared other than as described without the investor's permission or as required by applicable law. The investor may at any time request information about the companies in the BlackRock Group (and for Merrill Lynch clients, the ML Group) and the countries in which they operate. The investor consents to its information being processed, transferred or disclosed within the BlackRock and/or ML Group (as appropriate). The investor may at any time request a copy of the information held about it and request any errors to be corrected. Should the investor wish to enjoy protection in respect of its personal data under Luxembourg law it should make its application direct to the Transfer Agent.

Settlement

For all Shares, settlement in cleared funds must be made within three Business Days of the relevant Dealing Day. If timely settlement is not made (or a completed application form is not received for an initial subscription) the relevant allotment of Shares may be cancelled and an applicant may be required to compensate the relevant distributor and/or the Company (see paragraph 25 of Appendix B).

Payment instructions are summarised at the back of this Prospectus. Whenever payment is to be made by cheque, dealing may be delayed until cleared funds have been received, therefore payment by telegraphic transfer is strongly recommended. Cash, endorsed cheques or travellers cheques will not be accepted.

Settlement should normally be made in the Dealing Currency for the relevant Fund or, if there are two or more Dealing Currencies for the relevant Fund, in the one specified by the investor. An investor may, by prior arrangement with the Transfer Agent or the Investor Service Centre, provide the Transfer Agent with any other freely convertible currency and the Transfer Agent will arrange the necessary currency exchange transaction. Any such currency exchange will be effected at the investor's cost.

Minimum Subscription

The minimum initial subscription in respect of any Class of Shares of a Fund is currently US\$5,000 (except for Class D Shares and Class X Shares where the minimum is US\$10 million) or the approximate equivalent in the relevant Dealing Currency. The minimum for additions to existing holdings of any Class of Shares of a Fund is US\$1,000 or the approximate equivalent. These minima may be varied for any particular case or distributor or generally. Details of the current minima are available from the Transfer Agent or the Investor Service Centre.

Money Laundering Prevention

As a result of anti-money laundering regulation, additional documentation may be required for subscriptions for Shares. The circumstances under which it is required and the precise requirements are set out in the notes on the application form. This information will be used to verify the identity of investors or, in some cases, the status of financial advisers; it will be used only for compliance with these requirements. Please note that the Transfer Agent or the Investor Service Centre reserve the right in all cases to request further documentation or information. Failure to provide documentation may result in the withholding of redemption proceeds. If you have any questions regarding the identification documentation required, you should contact the Investor Service Centre or the Transfer Agent.

Redemption of Shares

Applications to Redeem

Merrill Lynch clients may enter their redemption orders through their Merrill Lynch Financial Advisers. In all other cases, instructions for the redemption of Registered Shares should normally be given by completing the form that accompanies confirmation notes and is available from the Transfer Agent or the Investor Service Centre. They may also be given to the Transfer Agent or the Investor Service Centre in writing, or by fax or telephone followed in each case by confirmation in writing sent by mail to the Transfer Agent or the Investor Service Centre. Failure to provide written confirmations may delay settlement of the transaction (see also paragraph 25 of Appendix B). Written redemption requests (or written confirmations of such requests) must include the full name(s) and address of the holders, the name of the Fund, the Class (including whether it is the Distributing or Non-Distributing Share class), the value or number of Shares to be redeemed and full settlement instructions and must be signed by all holders. Redemptions of bearer Shares will be effected only upon receipt of the relevant certificates.

Redemptions may be suspended or deferred as described in paragraphs 28 to 31 of Appendix B.

Settlement

Subject to paragraph 21 of Appendix B, redemption payments will normally be despatched in the relevant Dealing Currency within three Business Days of the relevant Dealing Day, provided that the relevant documents (as described above and any applicable money laundering prevention information) have been received. On written request to the Transfer Agent or the Investor Service Centre, payment may be made in such other currency as may be freely purchased by the Transfer Agent with the relevant Dealing Currency and such currency exchange will be effected at the shareholder's cost.

Redemption payments for Shares are normally made by telegraphic transfer to the shareholder's bank account at the shareholder's cost. If bank account details are not available, payment will be made by cheque, made payable to the registered shareholder(s) and sent to the registered address. For redemptions of bearer Shares, payment will be in accordance with settlement instructions received.

Details of redemptions in specie are set out in paragraphs 22 and 23 of Appendix B.

Conversion of Shares

Switching Between Funds and Share Classes

Investors may make conversions of their shareholdings between the same Class of Shares of the various Funds and thereby alter the balance of their portfolios to reflect changing market conditions.

Shareholders may also convert between Distributing and NonDistributing Shares of the same Class or between hedged and un-hedged Shares of the same Class (where available). However, converting between Distributing (M) Shares and Distributing (D) Shares (as defined in the Dividend Section on page 23) is not permitted.

In addition, shareholders may convert between any Class of UK Distributor Status Shares in the relevant currency and the equivalent class of Distributing Shares in non-distributor status currencies. Such conversions may be a taxable event in the hands of investors and may give rise to an immediate tax charge. In addition, a conversion between Shares held in different funds will give rise to an immediate tax charge.

As tax laws differ widely from country to country, shareholders should consult their tax advisers as to the tax implications of such a conversion in their individual circumstances. Shareholders who participate in the Merrill Lynch Global Funds Advisor ("MLGFA") service may be able to use their Class B Shares, Distributing and Non-Distributing, to fund their participation. If they do this, their Class B Shares will be converted for Class A Distributing or Class A Non-Distributing Shares, as appropriate. No conversion fee and no CDSC or initial charge will be levied by the Fund on such conversions. Such a conversion may be a taxable event. Shareholders participating in the MLGFA service should, however, inform themselves of any fees payable under this service.

With the exception of Class Q Shares to Class B Shares and at the discretion of the Investment Adviser, Class Q to Class C Shares (see "Classes and Form of Shares" above) and, at the Investment Adviser's discretion and provided always that the investor is an institutional investor, conversion from any Class of Shares to Class X Shares, any other conversions from Shares of one Class of a Fund to Shares of another Class of either the same or a different Fund (for example, conversions of Class A Shares into Class B Shares) are not permitted.

For holders of all Classes of Shares, there is normally no conversion charge by the Investment Manager. However, conversion charges may apply in some circumstances – see paragraphs 18 to 20 of Appendix B.

Instructions to Convert

Instructions for the conversion of Registered Shares should normally be given by completing the appropriate form that accompanies confirmation notes and is available from the Transfer Agent or the Investor Service Centre. They may also be given by fax or telephone or in writing to the Transfer Agent or the Investor Service Centre. Conversion instructions must include the full name(s) and address of the holder(s), the name of the Fund, the Class (including whether it is the Distributing or Non-Distributing Share class), the value or number of Shares to be converted and the Fund to be converted into (and the choice of Dealing Currency of the Fund where more than one is available) and whether or not they are UK Distributor Status Shares.

Where the Funds to which a conversion relates have different Dealing Currencies, currency will be converted at the relevant rate of exchange on the Dealing Day on which the conversion is effected.

Conversions may be suspended or deferred and an order for conversion into a Fund constituting over 5% of a Fund's value may not be accepted, as described in paragraphs 28 and 32 of Appendix B, respectively.

Exchange Privilege through Merrill Lynch

Merrill Lynch allows investors who have acquired Shares through it to exchange their Shares for shares with a similar charging structure of certain other funds, provided that Merrill Lynch believes that an exchange is permitted under applicable law and regulations. Details of this exchange privilege can be obtained from financial advisors or any regional Investor Service Centre.

Minimum Dealing & Holding Sizes

The Company may refuse to comply with redemption, conversion or transfer instructions if they are given in respect of part of a holding in the relevant Class of Shares which has a value of less than US\$1,000 or the approximate equivalent in the relevant Dealing Currency or if to do so would result in such a holding of less than US\$5,000 (except for Class D Shares and Class X Shares where the minimum is US\$10 million or the approximate equivalent in value. These minima may be varied for any particular case or distributor or generally. Details of any variations to the current minima shown above are available from the Transfer Agent or the Investor Service Centre.

Dividends

Dividend Policy

The Directors' current policy is to retain and reinvest all net income except for income from the Distributing Funds and income from the UK Distributor Status Funds. For the Distributing Funds and UK Distributor Status Funds, the policy is to distribute substantially all the investment income for the period after deduction of expenses. The Directors may also determine if and to what extent dividends may include distributions from both realised and unrealised capital gains.

For those Funds which offer Distributing Shares, the frequency at which the dividend payment is made is determined by the Fund type, with dividends normally paid as follows:

- Monthly on the Bond Distributing Funds where there is income to distribute.

- Quarterly on the Global Enhanced Equity Yield Fund (and such other Funds as the Directors may determine from time to time) where there is income to distribute.
- Annually on the Equity Distributing Funds, at the discretion of the Directors. UK Distributor Status Equity Funds will pay an annual dividend, if there is income to distribute.

Distributing Shares with alternative payment frequencies may be introduced at the Directors' discretion. Confirmation of additional distribution frequencies and the date of their availability can be obtained from the Company's registered office and the Investor Service Centre. An updated list including such additional Distributing Shares will be included in the next version of the Prospectus.

Calculation of Dividends

Those Distributing Shares which pay dividends monthly are further divided into Shares as follows:

- Those Shares for which dividends are calculated daily are known as Distributing (D) Shares.
- Those Shares for which dividends are calculated monthly are known as Distributing (M) Shares.

Investors may choose to hold either Distributing (M) Shares or Distributing (D) Shares but may not hold both.

Distributor Shares with quarterly dividend payment are known as Distributing (Q) Shares.

Distributing Shares with annual dividend payment are known as Distributing (A) Shares

The calculation method for each type is described below:

	Calculation Method
Distributing (D)	<p>The dividend is calculated daily based upon daily-accrued income less expenses, for the number of Shares outstanding on that day.</p> <p>At the discretion of the Directors, the dividend may also include distributions from both realised and unrealised capital gains.</p> <p>A cumulative monthly dividend is then distributed to shareholders based upon the number of Shares held and the number of days for which they were held during the period. Holders of Distributing (D) Shares shall be entitled to dividends from the date of subscription to the date of redemption.</p>
Distributing (M)	<p>The dividend is calculated monthly based upon income accrued during the dividend period less expenses.</p> <p>At the discretion of the Directors, the dividend may also include distributions from both realised and unrealised capital gains.</p> <p>The dividend is distributed to shareholders based upon the number of Shares held at the month end.</p>
Distributing (Q)	<p>The dividend is calculated quarterly based upon income accrued during the dividend period less expenses.</p> <p>At the discretion of the Directors, the dividend may also include distributions from both realised and unrealised capital gains.</p> <p>The dividend is distributed to shareholders based upon the number of Shares held at the end of the quarter.</p>
Distributing (A)	<p>The dividend is calculated annually based upon income accrued during the dividend period less expenses.</p> <p>At the discretion of the Directors, the dividend may also include distributions from both realised and unrealised capital gains.</p> <p>The dividend is distributed to shareholders based upon the number of Shares held at the end of the annual period.</p>

Declaration, Payment of Reinvestment of Dividend

The chart below describes the declaration and payment of dividends and the reinvestment options available to shareholders.

Dividend Classification	Declaration	Payment	Payment Method	Automatic Dividend Reinvestment
Distributing Shares (D)	Last Business Day of each calendar month in the Dealing Currency(ies) of the relevant Fund.	Within 10 Business Days of declaration to shareholders holding Shares during the period following the previous declaration.	Dividends of \$US 100 or more (or currency equivalent) are paid directly to the shareholder's bank account by telegraphic transfer in the shareholder's chosen dealing currency at the shareholder's cost (except Merrill Lynch investors).	Dividends of less than \$US 100 (or currency equivalent) will be automatically reinvested in further Shares of the same form of the same Class of the same Fund, unless the shareholder requests otherwise. Such further Shares, including fractions, will be issued within 10 Business Days of the declaration date (except Merrill Lynch investors).
Distributing Shares (M)		Within 10 Business Days of declaration to shareholders registered in the share register on the Business Day prior to the declaration date.		
Distributing Shares (Q)	20 March, 20 June, 20 September and 20 December (provided such day is a Business Day and if not, the following Business Day).	Within 10 Business Days of the date of the declaration to shareholders.	All dividends are paid directly to the shareholder's bank account by telegraphic transfer (except Merrill Lynch investors).	Dividends will not be automatically reinvested. Where investors would like the distribution amount to be reinvested in further Shares of the same form of the same Class of the same Fund, this can be arranged through the Transfer Agent.
Distributing Shares (A)	Last Business Day of each fiscal year in the Dealing Currency(ies) of the relevant Fund.	Within 10 Business Days of the last Business Day of each fiscal year.		
Distributing Shares DS (M)	Last Business Day of each calendar month.	Within 10 Business Days of declaration to shareholders registered in the share register on the Business Day prior to the declaration date.		
Distributing Shares DS (Q)	20 March, 20 June, 20 September and 20 December (provided such day is a Business Day and if not, the following Business Day).	Within 10 Business Days of the date of the declaration to shareholders.		
Distributing Shares DS (A)	Last Business Day of each fiscal year.	Within 10 Business Days of declaration to shareholders registered in the share register on the Business Day prior to the declaration date.		

Declarations and payment of dividends are announced in the Luxemburger Wort in Luxembourg.

No initial charge or CDSC is made on Class A, Class B or Class Q Distributing Shares, respectively, issued by way of dividend reinvestment.

It should be borne in mind that re-invested dividends are likely to be treated for tax purposes in most jurisdictions as income received by the shareholder.

Fees, Charges and Expenses

Please see Appendix E for a summary of fees and charges.

Further information on fees, charges and expenses is given in paragraphs 19 to 24 of Appendix C, and the following information must be read in conjunction with those paragraphs.

Management Fees

The Investment Manager receives the management fees from the Company as shown in Appendix E. The level of management fee varies according to which Fund the investor buys and, with the exception of some Class Q Shares, is the same for all Classes of Shares within each Fund. These fees accrue daily, are based on the Net Asset Value of the relevant Fund and are paid monthly. The Investment Manager pays certain costs and fees out of the management fee, including the fees of the Investment Advisers and the Investor Service Centre.

Distribution Fees

The Principal Distributor receives annual distribution fees as shown in Appendix E. These fees accrue daily, are based on the Net Asset Value of the relevant Fund (reflecting, when applicable, any adjustment to the Net Asset Value of the relevant Fund, as described in paragraph 16(c) of Appendix B) and are paid monthly.

Other Fees

The Company also pays the fees of the Custodian, the Transfer Agent, the Fund Accountant and the Paying Agents.

Initial Charge

On application for Shares an initial charge, payable to the Investment Manager, of up to 5% may be added to the price of Class A Shares (except in the case of the Reserve Funds). An initial charge of up to 3% may be added to the price of some Class E Shares and 2% on the Class D Shares (see Appendix E for details) subject to terms available from relevant distributors.

Contingent Deferred Sales Charge

A CDSC will be deducted from redemption proceeds and paid on redemption of all Class B and Class Q Shares of all Funds (except in the case of Reserve Funds) unless the Shares are held for more than four years. For shorter holding periods, the table below sets out the maximum rate of the CDSC that will apply, which is a percentage of the lower of the original purchase price or of the redemption price of the Class B or Class Q Shares redeemed:

Relevant Holding Period	CDSC
Up to one year	4.0%
Over one year and up to two years	3.0%
Over two years and up to three years	2.0%
Over three years and up to four years	1.0%
Over four years	Zero

CDSC of 1% will be deducted from redemption proceeds and paid on redemption of all Class C Shares of all Funds (except in the case of Reserve Funds) unless the Shares are held for more than a year.

Further information on the CDSC is contained in paragraph 17 of Appendix B.

Conversion Charges

Conversion charges may be applied by selected distributors, on conversion from a Reserve Fund into another of the Company's Funds, or on unduly frequent conversions. See paragraphs 18 to 20 of Appendix B for further details.

Redemption Charges

A redemption charge of 2% of the redemption proceeds can be charged to a shareholder at the discretion of the Directors where the Directors, in their reasonable opinion, suspect that shareholder of excessive trading as described under Section "Excessive Trading Policy" on page 14 of this Prospectus. This charge will be made for the benefit of the Funds, and shareholders will be warned in advance if it is likely to be charged. This charge will be in addition to any applicable conversion charge or deferred sales charge.

General

Over time, the different charging structures summarised above may result in Shares of different Classes of the same Fund, which were bought at the same time, producing different investment returns. In this context investors may also wish to consider the services provided by their distributor in relation to their Shares.

The Investment Manager may rebate all of or part of its fees and charges to distributors as described in paragraph 22 of Appendix C.

Expenses

The Company pays certain expenses of the Management Company, the Paying Agents, the Fund Accountant, the Custodian, the Principal Distributor, the Transfer Agent and the Investment Manager and other distributors and agents, and expenses incurred in operating the Investor Service Centre. The Company pays all other expenses incurred in its operation (see paragraphs 19 to 24 of Appendix C) including fees and expenses of the Directors (see paragraph 7 of Appendix C) and exchange costs arising from the calculation of the dealing prices in the additional Dealing Currencies (such exchange costs being met by the relevant Fund).

Allocation of Fees and Expenses

Each Fund is charged with all fees and expenses specifically attributable to it. If a fee or an expense is attributable solely to a particular Class of Shares of a Fund, then these will be borne by Shares of that Class only. Other expenses are allocated between the Funds on an equitable basis, normally pro rata to their respective Net Asset Values. Fees and expenses are normally charged first against investment income. A shareholder who makes a subscription or a redemption of Shares through the Paying Agent or other entities responsible for processing Share transactions in any jurisdiction where the Shares are offered from time to time may be charged with the expenses linked to the activity carried out by such entities where applicable.

Taxation

The following summary is based on current law and practice, which is subject to change.

Investors should inform themselves of, and when appropriate consult their professional advisers on, the possible tax

consequences of subscribing for, buying, holding, redeeming, converting or selling shares under the laws of their country of citizenship, residence or domicile. Investors should note that the levels and bases of, and relief from, taxation can change.

Luxembourg

Under present Luxembourg law and practice, the Company is not liable to any Luxembourg income or capital gains tax, nor are dividends paid by the Company subject to any Luxembourg withholding tax. However, the Company is liable to a tax in Luxembourg of 0.05% per annum or, in the case of the Reserve Funds and Class X Shares, 0.01% per annum of its Net Asset Value, payable quarterly on the basis of the value of the net assets of the respective Funds at the end of the relevant calendar quarter. No stamp or other tax is payable in Luxembourg on the issue of Shares.

The benefit of the 0.01% tax rate is available to Class X Shares on the basis of Luxembourg legal, regulatory and tax provisions as known to the Company at the date of this Prospectus and at the time of admission of subsequent investors. However, such assessment is subject to interpretations on the status of an institutional investor by any competent authorities as will exist from time to time. Any reclassification made by an authority as to the status of an investor may submit all Class X Shares to a tax of 0.05%.

Shareholders are not subject to any capital gains, income, withholding, gift, estate, inheritance or other tax in Luxembourg (except for shareholders domiciled, resident or having a permanent establishment in Luxembourg and except for certain former residents of Luxembourg if they own more than 10% of the Shares of the Company).

United Kingdom

The Company is not resident in the UK for tax purposes and it is the intention of the Directors to continue to conduct the affairs of the Company so that it does not become resident in the UK. Accordingly it should not be subject to UK taxation. Shares in the Company other than the UK Distributor Status Shares will not qualify as shares in a distributing fund for UK tax purposes, with the result that any gain realised by a UK resident shareholder on disposal of Shares will be an 'offshore income gain' subject to tax as income. UK residents will be subject to income tax on any dividends received in respect of such shares in the Company.

Dividends received by taxpayers from the Company will, dependent on personal circumstances, be subject to income tax. The attention of individuals ordinarily resident in the UK is drawn to sections 739 and 740 of the 1988 Act which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad and may render them liable to taxation in respect of undistributed income and profits of the Company.

The provisions of s13 TCGA 1992 may apply to a holding in the Company. Where 50% of the Shares in a Fund are held by five or fewer participators, then any UK person who holds more than 10% of the Shares may be taxed upon his proportion of the chargeable gain realised by the Fund as calculated for UK tax purposes.

On the death of a UK resident and domiciled individual shareholder, the shareholder's estate (excluding the UK Distributor Status Share Classes) will be liable to pay income tax on any accrued gain. Inheritance tax may be due on the value of the holding after deduction of income tax and subject to any available inheritance tax exemptions.

A UK corporate shareholder may be subject to UK taxation in relation to its holdings in the Fund. It may be required to apply a mark to market basis in respect of its shareholding in accordance with the Finance Act 1996 and any increases or decreases in value of the Shares may be taken into account as receipts or deductions for corporation tax purposes.

UK Distributor Status

The Directors currently intend to apply in respect of each account period for certification of the UK Distributor Status Shares in the United Kingdom as a distributing share class for United Kingdom tax purposes. However, no guarantee can be given that such certification will be obtained.

The changes to the offshore funds legislation in the Finance Act 2004 allow separate sub-funds or share classes to qualify on their own for UK Distributor Status whilst having non-qualifying sub-funds or share classes within the same fund. It is currently intended that the Company will apply for certification of the UK Distributor Status sterling denominated Class A Shares under the Offshore Funds legislation contained in the Income and Corporation Taxes Act 1988 (the "1988 Act"). Provided such certification is obtained, shareholders who are UK taxpayers (i.e. resident or ordinarily resident in the UK for tax purposes) will (unless regarded as trading in securities) have any gain realised upon disposal or conversion of the Company's Share treated as a capital gain which will be subject to UK capital gains tax. Otherwise any such gain would be treated as income subject to income tax. (In the case of individuals domiciled for UK tax purposes outside the UK any gain will in either case be subject to tax only to the extent that the gain was, or was deemed to be, remitted to the UK).

With a view to qualifying for certification, it is intended that the Company will currently make distributions on the UK Distributor Status Sterling Denominated Class A Shares as are required for this purpose by the 1988 Act. However, if HM Revenue & Customs were to determine that the gains realised by this type of Share upon the disposal of investments were of a revenue rather than a capital nature, on the basis that the Company was carrying on a trade of dealing in securities, this type of Share would not qualify for certification since it does not normally intend to distribute such gains. The Company will not apply for certification of any other share classes, or dealing currencies, under the 1988 Act.

Generally

Dividends and interest received by the Company on its investments are generally subject to irrecoverable withholding taxes in the countries of origin.

Investors should inform themselves of, and when appropriate consult their professional advisers on, the possible tax consequences of subscribing for, buying, holding, redeeming, converting or selling Shares under the laws of their country of

citizenship, residence or domicile. Investors should note that the levels and bases of, and reliefs from, taxation can change.

In accordance with the provisions of the European Union Savings Directive ("EUSD") which came into force on 1 July 2005, EU countries will be required to apply either exchange information or withholding tax on certain interest payments to EU resident individuals and potentially to residents of dependent territories. A further option allowing an EU resident shareholder to submit an exemption certification is also available. Although exchange of information is the ultimate objective of the EUSD, Luxembourg, Belgium and Austria and certain dependent or associated territories of EU Member States (such as Jersey, Guernsey and the Isle of Man) have opted to apply withholding tax during a transitional period. Under these arrangements withholding tax will apply when a Luxembourg paying agent makes distributions from and redemptions of shares in certain funds and where the beneficiary of these proceeds is an individual residing in another Member State. However, an individual may specifically request to be brought within the EUSD exchange of information regime which would result in no withholding tax being applied but instead information regarding the distribution or redemption being provided to the fiscal authority in the country in which he is resident. Broadly, the funds affected will be those which invest in money debts.

Meetings and Reports

Meetings

The annual general meeting of shareholders of the Company is held in Luxembourg at 11 a.m. (Luxembourg time) on 20 June each year (or if such day is not a Business Day in Luxembourg, on the next following Business Day in Luxembourg). Other general meetings of shareholders will be held at such times and places as are indicated in the notices of such meetings. Notices are sent to registered shareholders and published in accordance with Luxembourg law by publication in the *Luxemburger Wort* and (when legally required) the *Recueil des Sociétés et Associations du Mémorial* in Luxembourg.

Reports

Financial periods of the Company end on 31 December each year. The annual report containing the audited financial accounts of the Company and of each of the Funds in respect of the preceding financial period is available within four months of the relevant year-end. An unaudited interim report is available within two months of the end of the relevant half-year. Copies of all reports are available upon request at the registered office of the Company and from the Investor Service Centre. Registered shareholders will be sent a personal statement of account twice-yearly.

Appendix A – Investment and Borrowing Powers and Restrictions

Investment and Borrowing Powers

1. The Company's Articles of Association permit it to invest in transferable securities and other liquid financial assets, to the full extent permitted by Luxembourg law. The Articles have the effect that, subject to the law, it is at the Directors' discretion to determine any restrictions on investment or on borrowing or on the pledging of the Company's assets.

Investment and Borrowing Restrictions

2. The following restrictions of Luxembourg law and (where relevant) of the Directors currently apply to the Company:

2.1. The investments of each Fund shall consist of:

- (a) Transferable securities and money market instruments admitted to official listings on stock exchanges in Member States of the European Union (the "EU"),
- (b) Transferable securities and money market instruments dealt in on other regulated markets in Member States of the EU, that are operating regularly, are recognised and are open to the public,
- (c) Transferable securities and money market instruments admitted to official listings on stock exchanges in any other country in Europe, Asia, Oceania, the American continents and Africa,
- (d) Transferable securities and money market instruments dealt in on other regulated markets that are operating regularly, are recognised and open to the public of any other country in Europe, Asia, Oceania, the American continents and Africa,
- (e) Recently issued transferable securities and money market instruments provided that the terms of the issue include an undertaking that application will be made for admission to the official listing on one of the stock exchanges as specified in a) and c) or regulated markets that are operating regularly, are recognised and open to the public as specified in b) and d) and that such admission is secured within a year of issue,
- (f) Units of UCITS and/or other undertakings for collective investment ("UCIs") within the meaning of Article 1(2), first and second indents of Directive 85/611/EEC, as amended, whether they are situated in a Member State or not, provided that:
 - such other UCIs are authorised under laws which provide that they are subject to supervision considered by the Commission de Surveillance du Secteur Financier ("CSSF") to be equivalent to that laid down in Community law, and that cooperation between authorities is sufficiently ensured;
 - the level of protection for unitholders in the other UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on asset segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of Directive 85/611/EEC, as amended;

- the business of the other UCIs is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period;

- no more than 10% of the UCITS' or the other UCIs' assets (or of the assets of any sub-fund thereof, provided that the principle of segregation of liabilities of the different compartments is ensured in relation to third parties), whose acquisition is contemplated, can, according to their constitutional documents, be invested in aggregate in units of other UCITS or other UCIs;

- (g) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in an EU Member State or, if the registered office of the credit institution is situated in a non-Member State, provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in Community law;

- (h) financial derivative instruments, including equivalent cash-settled instruments, dealt in on a regulated market; and/or financial derivative instruments dealt in over-the-counter ("OTC derivatives"), provided that:
 - the underlying consists of instruments described in sub-paragraphs (a) to (g) above, financial indices, interest rates, foreign exchange rates or currencies, in which the Company may invest according to its investment objectives;
 - the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the CSSF; and
 - the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative;

- (i) money market instruments other than those dealt in on a regulated market, which fall under Article 1 of the 2002 Law, if the issuer or issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that they are:
 - issued or guaranteed by a central, regional or local authority or central bank of an EU Member State, the European Central Bank, the EU or the European Investment Bank, a non-Member State or, in the case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong; or
 - issued by an undertaking any securities of which are dealt in on regulated markets referred to in subparagraphs (a), (b) or (c) above; or
 - issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by Community law, or by an establishment which is subject to and complies with prudential rules considered by the CSSF to be at least as stringent as those laid down by Community law; or

- issued by other bodies belonging to the categories approved by the CSSF provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least EUR 10 million and which presents and publishes its annual accounts in accordance with Directive 78/660/EEC (1), is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

2.2. Furthermore, each Fund may invest no more than 10% of its net assets in securities and money market instruments other than those referred to in sub-paragraph 2.1 (a) to (i).

2.3. Each Fund may acquire the units of UCITS and/or other UCIs referred to in paragraph 2.1. (f), provided that the aggregate investment in UCITS or other UCIs does not exceed 10% of the net assets of each Fund, unless otherwise provided for in the relevant Fund's investment policy.

When each Fund has acquired shares of UCITS and/or other UCIs, the assets of the respective UCITS or other UCIs do not have to be combined for the purposes of the limits laid down in paragraph 2.5.

When a Fund invests in the units of other UCITS and/or other UCIs that are managed, directly or by delegation, by the same investment manager or by any other company with which the investment manager is linked by common management or control, or by a substantial direct or indirect holding, that no subscription or redemption fees may be charged to the Company on its investment in the units of such other UCITS and/or UCIs.

2.4. A Fund may hold ancillary liquid assets.

2.5. A Fund may not invest in any one issuer in excess of the limits set out below:

- (a) Not more than 10% of a Fund's net assets may be invested in transferable securities or money market instruments issued by the same entity.
- (b) Not more than 20% of a Fund's net assets may be invested in deposits made with the same entity.
- (c) By way of exception, the 10% limit stated in the first paragraph of this section may be increased to:
 - a maximum of 35% if the transferable securities or money market instruments are issued or guaranteed by an EU Member State, by its local authorities, by a non-Member State or by public international bodies to which one or more Member States belong;
 - a maximum of 25% in the case of certain bonds when these are issued by a credit institution which has its registered office in an EU Member State and is subject by law to special public supervision designed to protect bond holders. In particular, sums deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the

reimbursement of the principal and payment of the accrued interest. When a Fund invests more than 5% of its net assets in the bonds referred to in this paragraph and issued by one issuer, the total value of these investments may not exceed 80% of the value of the net assets of such Fund.

- (d) The total value of the transferable securities or money market instruments held by a Fund in the issuing bodies in each of which it invests more than 5% of its net assets must not then exceed 40% of the value of its net assets. This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision. The transferable securities and money market instruments referred to in the two indents of paragraph 2.5. (c) above shall not be taken into account for the purpose of applying the limit of 40% referred to in this paragraph.

Notwithstanding the individual limits laid down in sub-paragraphs 2.5. (a) to (d) above, a Fund may not combine

- investments in transferable securities or money market instruments issued by a single entity, and/or
 - deposits made with a single entity, and/or
 - exposures arising from OTC derivative transactions undertaken with a single entity,
- in excess of 20% of its net assets.

When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of the above mentioned restrictions.

The limits provided for in sub-paragraphs 2.5. (a) to (d) above may not be combined, and thus investments in transferable securities or money market instruments issued by the same entity or in deposits or derivative instruments made with this entity carried out in accordance with paragraphs 2.5. (a) to (d) shall under no circumstances exceed in total 35% of the net assets of the Fund.

Companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with Directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single entity for the purpose of calculating the investment limits mentioned in sub-paragraphs 2.5. (a) to (d) above.

The Fund may not invest cumulatively more than 20% of its net assets in transferable securities or money market instruments of the same group subject to restrictions 2.5. (a) and the three indents under 2.5. (d) above.

Without prejudice to the limits laid down in paragraph 2.7. below, the limit of 10% laid down in sub-paragraph 2.5.(a) above is raised to a maximum of 20% for investment in equity and/or debt securities issued by the same body when the aim of the investment policy of a Fund is to replicate the composition of a certain equity or debt securities index which is recognised by the CSSF, on the following basis:

- the composition of the index is sufficiently diversified,
- the index represents an adequate benchmark for the market to which it refers,

- it is published in an appropriate manner.

This limit is 35% where that proves to be justified by exceptional *market conditions* in particular in regulated markets where certain transferable securities or money market instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.

By way of derogation, each Fund is authorised to invest up to 100% of its net assets in different transferable securities and money market instruments issued or guaranteed by an EU Member State, its local authorities, by another member state of the OECD or public international bodies of which one or more EU Member States are members, provided that (i) such securities are part of at least six different issues and (ii) securities from any one issue do not account for more than 30% of the net assets of such Fund.

- 2.6. The Company may not invest in shares with voting rights enabling it to exercise significant influence over the management of the issuing body.
- 2.7. The Company may not:
 - (a) Acquire more than 10% of the shares with non-voting rights of one and the same issuer.
 - (b) Acquire more than 10% of the debt securities of one and the same issuer.
 - (c) Acquire more than 25% of the units of one and the same undertaking for collective investment.
 - (d) Acquire more than 10% of the money market instruments of any single issuer.

The limits stipulated in sub-paragraphs 2.7. (b) (c) and (d) above may be disregarded at the time of acquisition if, at that time, the gross amount of debt securities or of the money market instruments, or the net amount of securities in issue cannot be calculated.
- 2.8. The limits stipulated in paragraphs 2.6. and 2.7. above do not apply to:
 - (a) Transferable securities and money market instruments issued or guaranteed by an EU Member State or its local authorities;
 - (b) Transferable securities and money market instruments issued or guaranteed by a non-EU Member State;
 - (c) Transferable securities and money market instruments issued by public international institutions to which one or more EU Member States are members;
 - (d) Transferable securities held by a Fund in the capital of a company incorporated in a non-Member State investing its assets mainly in the securities of issuing bodies having their registered offices in that State, where under the legislation of that State such a holding represents the only way in which such Fund can invest in the securities of issuing bodies of that State. This derogation, however, shall apply only if in its investment policy the company from the non-Member State complies with the limits laid down in Articles 43, 46 and 48 (1) and (2) of the 2002 Law. Where the limits set in Articles 43 and 46 of the 2002 Law are exceeded, Article 49 shall apply *mutatis mutandis*;

- (e) Transferable securities held by the Company in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the repurchase of units at unitholders' request exclusively on its or their behalf.

- 2.9. The Company may always, in the interest of the shareholders, exercise the subscription rights attached to securities, which forms part of its assets.

When the maximum percentages stated in paragraphs 2.2. through 2.7. above are exceeded for reasons beyond the control of the Company, or as a result of the exercise of subscription rights, the Company must adopt, as a priority objective, sales transactions to remedy the situation, taking due account of the interests of its shareholders.

- 2.10. A Fund may borrow to the extent of 10% of its total net assets (valued at market value) provided these borrowings are made on a temporary basis. However, the Company may acquire for the account of a Fund foreign currency by way of back-to-back loan.
- 2.11. The Company may not grant credit facilities nor act as guarantor on behalf of third parties, provided that for the purpose of this restriction (i) the acquisition of transferable securities, money market instruments or other financial investments referred to in sub-paragraphs 2.1. (f), (h) and (i) above, in fully or partly paid form and (ii) the permitted lending of portfolio securities shall be deemed not to constitute the making of a loan.
- 2.12. The Company undertakes not to carry out uncovered sales transactions of transferable securities, money market instruments or other financial instruments referred to in sub-paragraphs 2.1. (f), (h) and (i) above; provided that this restriction shall not prevent the Company from making deposits or carrying out accounts in connection with financial derivatives instruments, permitted within the limits referred to above.
- 2.13. The Company's assets may not include precious metals or certificates representing them, commodities, commodities contracts, or certificates representing commodities.
- 2.14. The Company may not purchase or sell real estate or any option, right or interest therein, provided that the Company may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein.
- 2.15. The Company will in addition comply with such further restrictions as may be required by the regulatory authorities in any country in which the Shares are marketed.

The Company shall take the risks that it deems reasonable to reach the assigned objective set for each Fund; however, it cannot guarantee that it shall reach its goals given stock exchange fluctuations and other risks inherent in investments in transferable securities.

3. Financial Techniques and Instruments.

- 3.1. The Company must employ a risk-management process which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the portfolio; it must employ a process for accurate and independent assessment of the value of OTC derivative instruments. It must communicate to the CSSF regularly and in accordance with the detailed rules defined by the latter, the types of derivative instruments, the underlying risks, the quantitative limits and the

methods which are chosen in order to estimate the risks associated with transactions in derivative instruments.

- 3.2. In addition, the Company is authorised to employ techniques and instruments relating to transferable securities and to money market instruments under the conditions and within the limits laid down by the CSSF provided that such techniques and instruments are used for the purpose of efficient portfolio management or for hedging purposes.

- 3.3. When these operations concern the use of derivative instruments, these conditions and limits shall conform to the provisions laid down in the 2002 Law.

Under no circumstances shall these operations cause the Company to diverge from its investment policies and investment restrictions.

- 3.4. The Company will ensure that the global exposure of the underlying assets shall not exceed the total net value of a Fund. The underlying assets of index based derivative instruments are not combined to the investment limits laid down under subparagraphs 2.5. (a) to (d) above.

- When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of the above-mentioned restrictions.
- The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

3.5. Securities lending

The Company may enter into securities lending transactions provided that:

- (a) the transactions are entered into within a standardised lending system organised by a recognised securities clearing institution or by a highly rated specialist financial institution;
- (b) collateral (consisting of cash or government bonds) for the lending is maintained which has a value at least equal to the value of the securities lent; and
- (c) lending transactions are not carried out in respect of securities representing more than 50% of the aggregate market value of the securities in the relevant portfolio, and the term of any lending transaction does not exceed 30 days (unless the lending transactions are terminable at any time).

Any net income (net of any remuneration to which the Company's stocklending agent is entitled) deriving from securities lending to which the Company is entitled will be reinvested in the Company.

3.6. Repurchase agreements

The Company may as buyer or seller enter into repurchase agreements which consist in the purchase and sale of securities whereby the terms of agreement entitle the seller to repurchase from the purchaser the securities at an agreed price and time, so long as:

- (a) during the lifetime of a repurchase agreement the Company may not sell the securities which are the subject of the agreement before the repurchase of the securities by the

- (b) commitments arising from repurchase agreements do not prevent the Company from meeting redemption obligations.

All such permitted transactions must be effected with highly rated specialised financial institutions;

3.7. Risk associated with OTC derivatives

The counterparty risk on any transaction involving an OTC derivative instruments may not exceed 10% of the assets of a Fund when the counterparty is a credit institution domiciled in the EU or in a country where the CSSF considers that supervisory regulations are equivalent to those prevailing on the EU. This limit is set at 5% in any other case.

The Company's delegates will continuously assess the credit or counterparty risk as well as the potential risk, which is for trading activities, the risk resulting from adverse movements in the level of volatility of market prices and will assess the hedging effectiveness on an ongoing basis. They will define specific internal limits applicable to these kinds of operations and monitor the counterparties accepted for these transactions.

Appendix B – Summary of Certain Provisions of the Articles and of Company Practice

Articles of Association

1. Terms used in this summary that are defined in the Articles have the same meaning below.

(a) Corporate Existence

The Company is a company existing in the form of a société anonyme qualifying as a société d'investissement à capital variable (SICAV) under the name of Merrill Lynch International Investment Funds with the status of a Part I Undertaking for Collective Investment in Transferable Securities (UCITS).

(b) Sole Object

The sole object of the Company is to place the funds available to it in one or more portfolios of transferable securities or other assets referred to in Article 41(1) of the 2002 Law, referred to as "Funds", with the purpose of spreading investment risks and affording to its shareholders the results of the management of the Company's Funds.

(c) Capital

The capital is represented by fully paid Shares of no par value and will at any time be equal to the aggregate value of the net assets of the Funds of the Company. Any variation of the Company's capital has immediate effect.

(d) Fractions

Fractions of Shares may be issued only as Registered Shares.

(e) Voting

In addition to the right to one vote for each whole Share of which he is the holder at general meetings, a holder of Shares of any particular Class will be entitled at any separate meeting of the holders of Shares of that Class to one vote for each whole Share of that Class of which he is the holder.

(f) Joint Holders

The Company will register Registered Shares jointly in the names of not more than four holders should they so require. In such case the rights attaching to such a Share must be exercised jointly by all those parties in whose names it is registered except that verbal instructions will be accepted by the Company from any one joint holder in cases where verbal instructions are permitted pursuant to provisions of this Prospectus. Written instructions will be accepted by the Company from any one joint holder where all the holders have previously given written authority to the Transfer Agent or the Investor Service Centre to accept those instructions. Instructions accepted on either of such bases will be binding on all the joint holders concerned.

(g) Allotment of Shares

The Directors are authorised without limitation to allot and issue Shares at any time at the current price per Share without reserving preferential subscription rights to existing shareholders.

(h) Directors

The Articles provide for the Company to be managed by a board of Directors composed of at least three persons. Directors are elected by the shareholders. The Directors are vested with all powers to perform all acts of administration and disposition in the Company's interest. In particular the

Directors have power to appoint any person to act as a functionary to the Fund.

No contract or other transaction between the Company and any other company or firm shall be affected or invalidated by the fact that any one or more of the Directors or officers of the Company is interested in, or is a director, associate, officer or employee of, that other company or firm.

(i) Indemnity

The Company may indemnify any Director or officer against expenses reasonably incurred by him in connection with any proceedings to which he may be made a party by reason of such position in the Company or in any other company of which the Company is a shareholder or creditor and from which he is not entitled to be indemnified, except where due to gross negligence or wilful misconduct on his part.

(j) Winding up and Liquidation

The Company may be wound up at any time by a resolution adopted by a general meeting of shareholders in accordance with the provisions of the Articles. The Directors must submit the question of the winding up of the Company to a general meeting of shareholders if the corporate capital falls below two-thirds of the minimum capital prescribed by law (the minimum capital is currently the equivalent of €1,250,000).

On a winding up, assets available for distribution amongst the shareholders will be applied in the following priority:

- (i) first, in the payment of any balance then remaining in the relevant Fund to the holders of Shares of each Class linked to the Fund, such payment being made in accordance with any applicable rights attaching to those Shares, and otherwise in proportion to the total number of Shares of all the relevant Classes held; and
- (ii) secondly, in the payment to the holders of Shares of any balance then remaining and not comprised in any of the Funds, such balance being apportioned as between the Funds pro rata to the Net Asset Value of each Fund immediately prior to any distribution to shareholders on a winding up, and payment being made of the amounts so apportioned to the holders of Shares of each Class linked to that Fund in such proportions as the liquidators in their absolute discretion think equitable, subject to the Articles and Luxembourg law.

Liquidation proceeds not claimed by shareholders at close of liquidation of a Fund will be deposited at the Caisse de Consignation in Luxembourg and shall be forfeited after thirty years.

(k) Unclaimed Dividends

If a dividend has been declared but not paid, and no coupon has been tendered for such dividend within a period of five years, the Company is entitled under Luxembourg law to declare the dividend forfeited for the benefit of the Fund concerned. The Directors have, however, resolved as a matter of policy not to exercise this right for at least twelve years after the relevant dividend is declared. This policy will not be altered without the sanction of the shareholders in general meeting.

Restrictions on Holding of Shares

2. Shares will be divided into Classes each linked to a Fund. More than one Class of Shares may be linked to a Fund. Currently,

eight Classes of Shares (Class A, B, C, D, E, J, Q and X Shares) are linked to each Fund except for the Distributing Funds for which there are sixteen Classes of Shares (Class A Distributing, Class A Non-Distributing, Class B Distributing, Class B Non-Distributing, Class C Distributing, Class C Non-Distributing, Class D Distributing, Class D Non-Distributing, Class E Non-Distributing, Class E Distributing, Class J Distributing, Class J Non-Distributing, Class Q Distributing, Class Q Non-Distributing and Class X Non-Distributing, Class X Distributing Shares). They have no preferential or pre-emption rights and are freely transferable, save as referred to below.

3. The Directors may impose or relax restrictions (including restrictions on transfer and/or the requirement that Shares be issued only in registered form) on any Shares or Class of Shares (but not necessarily on all Shares within the same Class) as they may think necessary to ensure that Shares are neither acquired nor held by or on behalf of any person in circumstances giving rise to a breach of the laws or requirements of any country or governmental or regulatory authority on the part of that person or the Company, or which might have adverse taxation or other pecuniary consequences for the Company, including a requirement to register under any securities or investment or similar laws or requirements of any country or authority. The Directors may in this connection require a shareholder to provide such information as they may consider necessary to establish whether he is the beneficial owner of the Shares that he holds.

If the Company becomes aware that any Shares are owned directly or beneficially by any person in breach of any law or requirement of a country or governmental or regulatory authority, or otherwise in the circumstances referred to in this paragraph, the Directors may require the redemption of such Shares, decline to issue any Share and register any transfer of any Share or decline to accept the vote of any person who is precluded from holding Shares at any meeting of the shareholders of the Company.

4. The Directors have resolved that no US Persons will be permitted to own Shares. The Directors have resolved that "US Person" means any US resident or other person specified in Regulation S under the US Securities Act of 1933 as amended from time to time and as may be further supplemented by resolution of the Directors.

If a shareholder currently resident outside the US becomes resident in the US (and consequently comes within the definition of a US Person), that shareholder will be required to redeem its Shares.

Funds and Classes of Shares

5. The Company operates separate investment "Funds" and within each Fund separate Classes of Shares are linked to that Fund. Pursuant to Article 133 of the 2002 Law, each Fund is only liable for the liabilities attributable to it.
6. Shares may be issued with or have attached thereto such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, return of capital, conversion, transfer, the price payable on allotment or otherwise as the Directors may from time to time determine and such rights or restrictions need not be attached to all Shares of the same Class.
7. The Directors are permitted to create more than one Class of Share linked to a single Fund. This allows, for example, the creation of accumulation and distribution Shares, Shares with different dealing currencies or Classes of Shares with different features as regards participation in capital and/or income linked to the same Fund; and also permits different charging

structures. The Articles provide that certain variations of the rights attached to a Class of Shares may only be made with the sanction of a Class meeting of holders of Shares of that Class.

8. The Directors may require redemption of all the Shares linked to a particular Fund if the Net Asset Value of the relevant Fund falls below US\$15 million (or the equivalent in any relevant Dealing Currency). The Articles also permit the Directors to notify shareholders of the closure of any particular Fund where they deem it in the interests of the shareholders or appropriate because of changes in the economic or political situation affecting the Fund but in such circumstances the Directors intend as a matter of policy to offer holders of any Class of Shares a free transfer into the same Class of Shares of other Funds. As an alternative, subject to at least 30 days' prior notice to holders of Shares of all Classes of the relevant Fund, the Directors may arrange for a Fund to be merged with another Fund of the Company or with another Luxembourg UCITS (see also paragraph 25 below). Any such merger will be binding on the holders of the Shares of the Classes of that Fund.

A Fund may be terminated or merged in circumstances other than those mentioned above with the consent of a majority of the Shares present or represented at a meeting of all shareholders of the Classes of Shares of that Fund (at which no quorum requirement will apply). Where a Fund is terminated or merged the redemption price payable on termination or merger will be calculated on a basis reflecting the realisation and liquidation costs on terminating or merging the Fund.

The Directors have power to suspend dealings in the Shares linked to any Fund where it is to be terminated or merged in accordance with the above provisions. Such suspension may take effect at any time after the notice has been given by the Directors as mentioned above or, where the termination or merger requires the approval of a meeting of holders, after the passing of the relevant resolution. Where dealings in the Shares of the Fund are not suspended, the prices of Shares may be adjusted to reflect the anticipated realisation and liquidation costs mentioned above.

Valuation Arrangements

9. Under the Articles, for the purpose of determining the issue and redemption price per Share, the net asset value of Shares shall be determined as to the Shares of each Class of Share by the Company from time to time, but in no instance less than twice monthly, as the board of Directors may direct.
10. The Directors' policy is normally to deal with requests received before 12 noon Luxembourg time on a Dealing Day on that day; other requests are normally dealt with on the next Dealing Day.

Net Asset Value and Price Determination

11. All prices for transactions in Shares on a Dealing Day are based on the Net Asset Value per Share of the Class of Shares concerned, as shown by a valuation made at a time or times determined by the Directors. The Directors currently operate "forward pricing" for all Funds and Classes of Share, i.e., prices are calculated on the Dealing Day concerned after the closing time for acceptance of orders (see page 21). Prices in respect of a Dealing Day are normally published on the next Business Day. Neither the Company nor the Custodian can accept any responsibility for any error in publication, or for non-publication of prices or for any inaccuracy of prices so published or quoted. Notwithstanding any price quoted by the Company, by the Custodian or by any distributor, all transactions are effected strictly on the basis of the prices calculated as described above. If for any reason such prices are required to be recalculated or amended,

the terms of any transaction effected on the basis of them will be subject to correction and, where appropriate, the investor may be required to make good any underpayment or reimburse any overpayment as appropriate. Periodic valuations of holdings in any Fund or Class of Shares may be supplied by arrangement with the Transfer Agent or the Investor Service Centre.

12. The Net Asset Value of each Fund, calculated in its Base Currency, is determined by aggregating the value of securities and other assets of the Company allocated to the relevant Fund and deducting the liabilities of the Company allocated to that Fund. The Net Asset Value per Share of the Classes of Shares of a particular Fund will reflect any adjustment to the Net Asset Value of the relevant Fund described in paragraph 16(c) below and will differ as a result of the allocation of different liabilities to those Classes (see "Fees, Charges and Expenses" on page 26) and as a result of dividends paid.
13. The value of all securities and other assets forming any particular Fund's portfolio is determined by last known prices upon close of the exchange on which those securities or assets are traded or admitted for trading. For securities traded on markets closing after the time of the valuation, last known prices as of this time or such other time may be used. If net transactions in Shares of the Fund on any Dealing Day exceed the threshold referred to in paragraph 16(c) below, then additional procedures apply. The value of any securities or assets traded on any other regulated market is determined in the same way. Where such securities or other assets are quoted or dealt in on or by more than one stock exchange or regulated market the Directors may in their discretion select one of such stock exchanges or regulated markets for such purposes.
14. If a security is not traded on or admitted to any official stock exchange or any regulated market, or in the case of securities so traded or admitted the last known price is not considered to reflect their true value, the Directors will value the securities concerned with prudence and in good faith on the basis of their expected disposal or acquisition price. Cash, bills payable on demand and other debts and prepaid expenses are valued at their nominal amount, unless it appears unlikely that such nominal amount is obtainable.
15. If in any case a particular value is not ascertainable by the methods outlined above, or if the Directors consider that some other method of valuation more accurately reflects the fair value of the relevant security or other asset for the purpose concerned, the method of valuation of the security or asset will be such as the Directors in their absolute discretion decide.
16. (a) Under current procedures adopted by the Directors the price for all Classes of Shares of any Fund is the Net Asset Value per relevant Class of that Fund calculated to the nearest currency unit of the relevant Dealing Currency.
 (b) For those funds with more than one Dealing Currency, the additional Dealing Currency prices are calculated by converting the price at the relevant spot exchange rate at the time of valuation.
 (c) If on any Dealing Day the aggregate transactions in Shares of all Classes of a Fund result in a net increase or decrease of Shares which exceeds a threshold set by the Directors from time to time for that Fund (relating to the cost of market dealing for that Fund), the Net Asset Value of the relevant Fund will be adjusted by an amount (not exceeding 1.25%, or 3% in the case of the High Yield Funds, of that Net Asset Value) which reflects both the estimated fiscal

charges and dealing costs that may be incurred by the Fund and the estimated bid/offer spread of the assets in which the Fund invests. The adjustment will be an addition when the net movement results in an increase of all Shares of the Fund and a deduction when it results in a decrease. As certain stock markets and jurisdictions may have different charging structures on the buy and sell sides, the resulting adjustment may be different for net inflows than for net outflows. Where a Fund invests substantially in government bonds or money market securities, the Directors may decide that it is not appropriate to make such an adjustment.

Redemption and Deferred Sales Charges

17. (a) The Directors are entitled to levy a discretionary redemption charge on shareholders of all Classes of Shares where they believe that excessive trading is being practised.
 (b) On redemption of Class B, C and Q Shares, the relevant CDSC rate is charged on the lower of (i) the price of the redeemed shares on the Dealing Day for redemption or (ii) the price paid by the shareholder for the original purchase of the redeemed shares or for the shares from which they were converted or exchanged, in either case calculated in the relevant Dealing Currency of the redeemed shares.
 (c) No CDSC will be levied on the redemption of (a) Class B, C and Q Shares derived from reinvestment of dividends; or (b) Class B, C and Q Shares in the Reserve Funds (provided they were not converted from Shares of a non-Reserve Fund).
 (d) The CDSC is levied by reference to the "Relevant Holding Period", which is an aggregate of the periods during which (a) the redeemed shares, and (b) the shares from which they were derived (if any) as a result of conversion or exchange, were held in any Fund except a Reserve Fund or any other exchangeable money market funds.

When the Relevant Holding Period exceeds four years no CDSC is payable in respect of the redeemed shares.

In cases where redeemed shares are only part of a larger holding of Class B, C and Q Shares, any Shares acquired by dividend reinvestment will be redeemed first; and where the holding consists of Class B, C and Q Shares acquired at different times, it will be assumed that those acquired first are redeemed first (thus resulting in the lowest CDSC rate possible).

Where the redeemed shares have a different dealing currency to the Shares (or similar shares from which they were converted or exchanged originally purchased, for purposes of determining the CDSC the price paid for the latter will be converted at the spot exchange rate on the Dealing Day for redemption.

The CDSC may be waived or reduced by the relevant distributor at its discretion or for shareholders who, after purchasing Class B, C and Q Shares, become US Persons and are required to redeem their Shares as a result (see paragraph 4 above).

Conversion

18. The Articles allow the Directors on issuing new Classes of Shares to impose such rights of conversion as they determine, as described in paragraph 6 above. The basis of all conversions is related to the respective Net Asset Values per Share of the relevant Class of the two Funds concerned.
19. The Directors have determined that the number of Shares of the Class into which a shareholder wishes to convert his existing Shares will be calculated by dividing (a) the value of the number